

THE INSTALLATION FUNDING DILEMMA

BY

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ABSTRACT

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Five years after the U.S. Army created the Installation Management Agency in 2003 inadequate funding continues to constrain improvement in Army infrastructure and installation services. Unfortunately, the resulting pressures imposed on the Army's operations and maintenance and military construction (MILCON) accounts have inflicted a detrimental effect upon installation support. However, this is not only a recent phenomenon nor is it likely to change soon. The recurrent necessity to finance competing needs within the Congress, the Department of Defense and the Army imposes an unrelenting dilemma for decision makers. This paper provides a framework for understanding the current dilemma as it affects installation support by tracing its roots and proposing a solution for balancing funding and installation requirements.

THE INSTALLATION FUNDING DILEMMA

Money matters. On an Army installation it funds the services provided to those who live and work there, funds the repairs to the infrastructure and pays for the new buildings and roads. But fiscal reality imposes constraints on the availability of money, both in the amount and timing of when it is provided. Ideally, installation commanders receive enough to meet their requirements and they receive it before it is needed. As the experiences of the past years show¹, the quality of Army installations suffers when those two conditions are compromised.

Often the term “quality of life” emerges as a catchphrase in descriptions of how well military services provide for their service members. In large part, “quality of life” when used in today’s context is directly related to the quantity of money made available to support it. Inadequate installation funding limits services and prevents timely investments in infrastructure; ultimately all quality of life programs suffer and since the late 1990’s they have suffered across the Army. Therefore, changes are required. First, the Army must provide more transparency to the Congress when submitting its budget requests by asking for what it needs to fully support installation support requirements. In short, when the Army asks for less than it requires it gets less than it needs. Second, the Army must develop a willingness to reduce the program and maintenance requirements that drive its installation budget requests when adequate funding is not forthcoming. Specifically, the Army should develop a portfolio of installation services it can perform exceptionally well and add to it as funds become available rather than providing the wide range of today’s services only to later reduce them in response to insufficient funding. Unless the Army captures a greater share of

the Defense budget, allocates more of its own budget for installation support or reaps the benefits of an unforeseen increase in Defense spending, it must find a new balance between the supply of funds for installation support and the requirements that have been driving an outsized demand. Not doing so will perpetuate sub-optimal performance.

This study of installation funding within the Army comes at a time of growing pressure for more resources in a fiscal environment dominated by increasing war costs and after years of extreme fiscal unpredictability. It addresses the actions the Army has taken to improve installation management as well as how installation requirements have been funded for the active force. Though funding is a common theme throughout, the organizational changes instituted by the Army in installation management are evaluated as well. Both of these components warrant examination because installation support services, infrastructure maintenance, and construction influence a wide range of dependent activities vital to the Army mission.² In its 2007 Posture Statement the Army advanced the belief that recruiting, retention, training, morale, deployment, and other essential efforts suffer or succeed in part due to the condition of its installations.³

Deficient installations pose a risk to core Army requirements as well as degrade the quality of life they provide. While the congressional appropriations process ultimately provides the funding for Army installation services, infrastructure maintenance and construction, the Army plays a major role in the development of the annual budget. As defense budgets represent the priorities of the President and the Congress, the Army submits its budget request in direct coordination with the Office of the Secretary of Defense (OSD) and indirectly with the Office of Management and Budget (OMB). In

simplest terms, the Army informs Congress of its funding requirements via the President's budget. This statement contains an obscured point of friction though because the Army's requested amounts for installation support do not necessarily represent its validated installation requirements. Many reasons exist for this, such as the balancing of other Army needs relative to installation support requirements, a disagreement within the Army regarding the appropriateness of the estimated installation requirements, or a perceived limit OSD or Congress might impose for the operations and maintenance account. Unfortunately, therein lies a troubling outcome. An inadequate request, even if fully funded by Congress, results in inadequate funding for installation services, maintenance or construction.

The pursuit of funding for installation support has confronted the Army and the Congress for years. In January 1999 General Dennis Reimer, the Army's Chief of Staff, sounded an alarm as part of his testimony before Congress by stating, "Army leaders at all levels have been fighting to meet expanding requirements with diminishing resources. Our commanders are struggling to balance operational readiness with base operations expenses and maintaining Soldiers' quality of life."⁴ He went on to say the Army had transferred funds from its training account to supplement installation support. "As in past years, we have resourced training to the level necessary to ensure our soldiers will never be put in harm's way without being adequately trained and ready. As a result, our commanders have been forced to migrate funds from training accounts to base support, thus placing an unacceptable risk on near-term readiness for some units."⁵

2001 – 2002 A movement toward centralized installation management

The funding shortfall described by General Reimer served as a backdrop for the Army as it moved forward with what was known in 2001 as the Transformation of Installation Management (TIM). Before TIM, senior mission commanders (SMCs) provided command and control of garrison support personnel as well as oversight for installation-specific budgeting and execution. Funding for installation support flowed from the Army to SMCs through their associated Major Commands (MACOMs). TIM, which ultimately led to the creation of the Installation Management Agency (IMA), began to change this relationship in 2002. When commenting on this new relationship the Vice Chief of Staff of the Army, General John Keane said, "That's probably the most controversial part of this transformation,"⁶ regarding the elimination of MACOM staffs from the day-to-day oversight of installation management. "It dramatically changes the way we do business."⁷ In summarizing the rationale for such a major change Army Secretary Thomas White stated, "Funding for installations will come directly from the Pentagon instead of through major commands under the new centralized system."⁸ He went further to explain, "...this will not only standardize funding levels, but free up the MACOMs to focus on their primary missions."⁹ While this change altered the organizational structure of installation management it did not address the underlying need for adequate funding. It also exacerbated the funding problem by removing any MACOM financial enhancements to individual garrisons.

2003 – 2004 Installation management in transition

Created by the Army at the outset of fiscal year 2003, IMA embarked on its new mission to “provide equitable, effective and efficient management of Army installations worldwide to support mission readiness and execution, enable the well-being of Soldiers, civilians and family members, improve infrastructure, and preserve the environment.”¹⁰ As the corporate structure supporting installations continued to evolve, the Army further streamlined its installation command structure when in October 2006 it eliminated IMA and formed the Installation Management Command (IMCOM). In doing so the Army consolidated three installation-focused organizations: the Installation Management Agency, the Family and Morale Welfare and Recreation Command (formerly the Army Community and Family Support Center) and the Army Environmental Command (formerly the Army Environmental Center) under a single command. This change represented an expansion of the Army’s objective to centrally manage installation support.

Long before IMCOM’s formation, IMA faced many challenges as it undertook the initiative to build a corporate structure for installation management, not the least of which was the “controversial part of the transformation” referred to by General Keane. By eliminating the MACOMs from installation management as well as changing the relationship between the garrison commanders and their respective senior mission commanders, the Army insured funds would eventually flow from IMA headquarters in Arlington, Virginia through its regional offices to the garrisons.¹¹

In 2003, the year of transition, IMA partnered with the MACOMs in preparation for the transfer of financial management. Then in fiscal year 2004 IMA became the

responsible entity for most of the Army's base operations services funding.¹² The change brought with it the need to create Army-wide standards to meet Army-wide expectations. This need would eventually require IMA to evaluate how installations delivered installation services, to what level they provided them, and ultimately what they would cost. Such uncertainty existed primarily because MACOMs had allocated installation funds based on MACOM-specific priorities¹³ contributing to disparities among installations during that era. In describing his view of these disparities General Keane said at the 2003 Army Communities of Excellence Awards, he was tired of visiting installations and "seeing the haves and the have-nots."¹⁴

As each of the MACOMs differed in their priorities they also differed in their ability to allocate funds for installation support.¹⁵ For example, the Training and Doctrine Command (TRADOC) had almost no means for adjusting the flow of Soldiers it received for training while it derived much of its funding from that mission. Forces Command (FORSCOM), however, had more freedom to moderate its training expenses in order to compensate for other needs such as installation support. While this led to an environment in which some installations received more or less support relative to others in other MACOMs it also masked the heart of the matter, what it should cost to operate an installation. The idea of centralized installation management embodied the notion that the Army would eliminate disparities among installations and it would do so by standardizing services and maintenance activities throughout its installations. Such disparities contributed to unevenness in mission support and the delivery of quality of life programs, an unwelcome reality for Soldiers, their families and the units in which they served when stationed at "have-not" installations.

IMA's first director, Major General Aadland, described centralization as "creating a corporate structure to manage Army installations to common standards with consistent ways of doing business worldwide." However, buried beneath the "controversy" of shifting installation management away from the MACOMs lay the real challenge of untangling the differing levels of service found across the Army's installations, determining what they should cost and then developing a menu of required services and their associated costs. Further complicating such a significant undertaking has been the inadequate funding in support of it. Despite its substantial maturation and its many successes, IMA's (now the Installation Management Command's),¹⁶ pursuit of adequate funding for Army installations continues today as it has since its inception in 2003.

When IMA began operations in 2003 it did so with the belief other commands, MACOMs or SMCs were siphoning installation funding to support other essential missions. If this were the case, IMA could have reasonably expected a windfall from the new funding process developed to protect the installation accounts. Instead, as General Reimer and the Government Accountability Office (GAO) soon realized, the opposite had occurred; funds from other accounts had actually been used to support installation needs. According to the GAO, Congressional defense committees had expressed concerns about the extent to which funds allocated to readiness activities had been diverted to pay for other O&M expenses, including installation support. In its February 2000 report the GAO found that the Army obligated over 8% or \$2.5 billion more for base operations and real property maintenance than had been designated by Congress between 1994 and 1999. The GAO also found the Army obligated \$1.1 billion

(12 percent) less than initially designated for unit training as a way to increase its support for BOS between fiscal years 1997 and 1999.¹⁷ Given those facts it appears incongruous for IMA to have had as one of its early guiding principles the goal of “eliminating the migration of installation support dollars to other accounts,”¹⁸ when in reality funds were flowing from other accounts into BOS to makeup for shortfalls. This points to the likely possibility that while garrison commanders at Army installations would have known how much their local staffs were spending in support of BOS and SRM, the Army as an enterprise did not comprehend the magnitude or the causes of the funding transfers occurring within the MACOMs in support of those programs since the decision making authority resided within the MACOMs.

Given the elimination of the assumed threat of installation funding migration into other accounts one would reasonably have expected an improvement in the budgeting process for Army installations in 2004. In other words, by consolidating financial activities IMA could better match the expenditures for BOS and SRM with the existing requirements. However, something quite different occurred. The actual expenditures for BOS again began to exceed congressionally appropriated funding. In FY 2002, the last year before IMA came into existence, the Army spent slightly less, under 3%, in BOS than had been appropriated. However, from FY 2003 through the end of FY 2007 the Army expected to have expended \$28.7 billion in BOS against \$23.9 billion in Congressional appropriations during the same period.¹⁹ This represents an annual average shortfall of 20%.

Notably, over those same five years the BOS expenditures also exceeded the Army’s budget requests by nearly 18%.²⁰ In budget justification documents submitted

by the Army as part of the President's fiscal year 2008 budget, the Army estimated a \$7.4 billion requirement for BOS in FY 2009, nearly a 25% increase over FY 2004.²¹ A closer analysis reveals two significant trends. First, the Army has significantly understated its BOS requirements in recent years, a practice verified by the GAO, which found the Army routinely obligated more for BOS services than provided for by Congress. Second, BOS requirements have not leveled instead they continue to grow.

2004 – A year of unpredictability

The effects of under funding validated requirements can be profound; so can the effects of uncertainty. One significant result at Army installations is the loss of predictability, not necessarily a catastrophic outcome, but a very disruptive one nonetheless, which can adversely affect installation support. The GAO found examples of this effect; in a recent report to Congress it cited the turbulence of FY 2004 while highlighting unpredictability in the execution of installation funding. Army officials told the GAO the timing of the supplemental funding bill made it difficult for the installations to execute many of their BOS and SRM activities promptly and efficiently. The GAO noted how this resulted in the Army's under executing its SRM program by \$882 million in FY 2004.²² Consider the IMA director's email message in May of 2004 to his garrison commanders in which he wrote, "We must reduce expenditures immediately to do our part to get through this challenging year."²³ In his message he went on to describe specific and required cutbacks or limitations throughout garrison support operations in response to budgetary pressure, "I know that some of these actions will be painful; I also know you understand that we would not go to these severe measures if we had a choice but we do not. Although I hope these severe cutbacks are short lived, I cannot

promise you that we will not have to maintain them for the remainder of the FY.”²⁴

Although there were many budgetary pressures on the Army in 2004, especially the wars in Afghanistan and Iraq, the budget challenges within IMA were not driven solely by the Army withholding funds in support of other missions. According to the GAO, in fiscal year 2004, the Army’s request for BOS funding—\$5.756 billion—was about 65 percent of the amount it needed to provide traditional levels of BOS services. According to Army officials, while congressionally designated amounts as adjusted by the Army—\$6.009 billion—were somewhat more than they requested, it nevertheless had to reduce BOS programs because it did not program sufficient funds to pay for traditional levels of BOS services.²⁵ The withholding of some BOS funds to pay for the Global War on Terrorism exerted even more pressure on an already under funded account.

2005 – The need for predictability

In March of 2005 the Army announced a new standard for funding both BOS and SRM, which became known as “90-90 funding” in an effort to increase fiscal predictability for installations. In the press release accompanying this announcement the Army defined its “goal of funding installations at an annual rate of 90 percent of validated requirements for base operations services and for sustainment, restoration and modernization.”²⁶ This policy directly addressed the need to eliminate the uncertainty associated with installation funding as evidenced in the following excerpt from the March 2005 press release. “The new 90-90 funding renews the Army’s commitment to improving the quality of life for our Soldiers and their families. Funding installations to 90 percent of requirements provides a more predictable level of funding giving garrison commanders more control in managing their communities.”²⁷

In 2005 the 90-90 funding initiative appeared to establish a new floor for funding installation requirements. The IMA director at the time expressed satisfaction with the initiative by saying, "The Army leadership has made an important decision that recognizes the vital role installations play in the Global War on Terrorism. This is the highest level of funding ever committed to installations, and it recognizes the need to give Soldiers and their families services and facilities equal to the service they give this nation."²⁸ Compared to the 65% funding level for BOS in FY 2004, 90% represented a significant improvement. However, the idea of 90-90 ignored important realities.

For example, one cannot pay 90% of a utility bill, a contract invoice, or a salary. Those commitments and others like them require 100% funding. In a stable environment an organization might achieve enough savings through efficiencies, cost cutting, and enforced reductions to lower its requirements by 10% in order to reset its budgetary reality to 90% of its former needs. Unfortunately BOS requirements do not represent a stable environment as they are expected to grow by as much as 25% between fiscal years 2004 and 2009.

Which leads to the question, "90% of what?" Further exacerbating this challenge, the lower the BOS allocation, the higher the percentage of fixed costs relative to the total allocation. Put another way, installations would have less than 90% of BOS funding for discretionary spending from the outset and possibly much less if the Army could not provide a full 90% up front. Unfortunately, so-called discretionary spending supports many family support programs. As other requirements consume a greater proportion of the available BOS funds there remains relatively less for family programs. Consider the cost of fuel or the cost of privatized utility services. The

requirements are real, somewhat difficult to predict and important to either current or future installation operations. Neither can be funded at 90% nor can others like them such as the potential costs of foreign currency fluctuation, yet they consume BOS funding at the expense of other programs. So do new missions. For example, with the advent of expanded security measures the need for gate security guards increased substantially as did the cost. Similarly, the initiative known within DoD as “mil to civ”, replacing Soldiers with civil servants in some garrison functions, imposed an increase in personnel costs. Each of these initiatives required 100% funding to support them at the expense of others. Such situations substantially limited flexibility to adjust for the unpredictable cost growth as experienced in 2006.

2006 – BOS under funding coupled with unexpected cost increases

The following year in April 2006 the IMA director, MG Rochelle, delivered the following message to his garrison commanders in which he described a financial dilemma not unlike that of 2004. “IMA's FY 2006 BOS position presents us with a unique challenge. Current BOS funding for the IMA is \$4,949M, which is \$722M short of validated requirements. Even \$722M falls short of the true FY06 requirement, because it does not capture recent increases in fuel, utilities, and other costs totaling \$163M. This brings our total shortfall to \$885M.”²⁹ He followed his summary with a list of potential restrictions on spending and proposed reductions in service to avoid over-obligation. However, MG Rochelle did not mention how IMA had begun the year in an even more tenuous position, over a billion dollars below the \$4,949 million, before the Army Budget Office provided an increased allotment. He also pledged IMA would

continue, "Pursuing additional funding from the Department, but the intense competition across the Army makes our prospects for success far from certain."³⁰

The many facets of base support

The four traditional categories of appropriated funding for Army installations are base operations support (BOS), sustainment, restoration and modernization (SRM), military construction (MILCON), and family housing. Both BOS and SRM, as part of the operations and maintenance (O&M) account, have endured funding shortfalls throughout this decade.³¹ In addition, the SRM mission today bears the burdens of a backlog built up over many years and although MILCON has already suffered similar detrimental effects, new and growing requirements pose additional threats construction programs.³² Supplemental appropriations have also provided funding in support of the global war on terrorism as well as playing an increasingly important part in meeting the needs of installations, but they cannot reverse the long-term effects of compounded shortfalls.

Expenditures for BOS and SRM differ in many ways, but one difference merits special consideration. Unfunded or under funded BOS requirements cut services in real time preventing garrison commanders from "catching up" later if additional funds become available. BOS funding received in the summer does not compensate for snow left unplowed during the previous winter. Nor would it replenish the lost production stemming from a hiring freeze or the benefit of a curtailed summer hire program. In short, inadequately funded BOS programs represent lost opportunities to serve the constituency of Army installations. These programs provide an immense array of services consisting of six components: base operations, force protection, environmental

quality programs, family programs, base communications and audio visual. For further detail please see a more expansive description in the notes.³³

While BOS supports the vast daily service and support activities at installations, SRM funds are used to maintain, repair and modernize Army infrastructure.³⁴ Unlike BOS requirements, SRM, and especially maintenance needs, are cumulative in their effect. According to DoD, fully funding sustainment is the most cost-effective approach to managing facilities because it provides the most performance over the longest period of time for the least investment. Without adequate sustainment, expected service life is reduced and facilities must be recapitalized sooner than expected.³⁵ Often insufficient or delinquent maintenance and repair activities beget larger problems. According to The Association of the United States Army (AUSA), "There is a decade-long funding deficit for Army facilities and installations, resulting in a backlog of repairs and maintenance of more than \$17 billion."³⁶ As a result, facilities on Army installations have an average age of more than 40 years and a recapitalization cycle of approximately 144 years."³⁷ A combination of events has contributed to this. When MACOM's held the responsibility for SRM budgeting and execution it was not unusual for them to use SRM funding to support other needs. In 2001 Army Secretary White and Chief of Staff of the Army, Eric Shinseki provided a written statement to the Senate Armed Services Committee in which they described a change to protect SRM funding, at least within the Army budget. "In the past, we paid other bills at the expense of facilities upkeep or masked these costs by migrating funds from operating tempo accounts – a practice we have stopped."³⁸ The following year the Army's Forces Command told the GAO it had received about 92 percent of its sustainment requirement, before it had to reduce the

amounts passed on to component installations to 79 percent in order to pay for expanded utilities modernization, engineering services, municipal services upgrades, and fire emergency services, all part of the BOS account.³⁹ In its 2005 report on installation funding the GAO described an Army-wide funding dilemma similar to that described by Forces Command. Although Congress had designated increased funding for BOS programs, sometimes more than requested, those amounts were often less than the cost of BOS services provided at installations drawing millions of dollars from SRM and other purposes to pay for BOS.⁴⁰

Military construction – growing needs and growing pressures

While BOS and SRM fund the standard operations for Army garrisons, the military construction program meets the needs SRM cannot. It provides funding for new or substantially renovated infrastructure and it will play a central role in supporting the Army's plans for supporting base realignment and closure (BRAC) requirements, global defense posture realignment (GDPR), modularity, and a growth in the Army.⁴¹

A number of unique and significant changes underway within the Department of Defense and the Army elevate the importance of Congress' and the Army's willingness and ability to fund them. Because of their magnitude four of those changes merit further examination in relation to their affect on installation management funding. First, the initiative known as the GDPR will return many units to the United States from overseas' bases while reconfiguring the remaining overseas' installations to better serve military needs. The reconfiguration will eliminate many installations in Germany and Korea as units depart, but it also requires the expansion of Grafenwoehr in Germany and Camp Humphreys in Korea which will become operational hubs for many of the remaining

units. In Italy, the expansion and renovation of Army installations at Vicenza will provide the infrastructure for an entire Brigade Combat Team (BCT). Second, in 2005 the President approved the recommendations of the Base Realignment and Closure commission.⁴² For the Army the BRAC law and its inherent realignments and closures contain over 1300 discrete actions.⁴³ While many of those actions are relatively small others will greatly alter the landscape of many well known installations. Posts such as Fort Knox, Fort Sill, Fort Bliss, Fort Benning and Aberdeen Proving Ground will undergo profound changes. The third is modularity, or the change within the Army structure converting a division-centric organizational structure to one more brigade-centric. The resulting brigades will possess more Soldiers than their predecessors and the resulting divisions will contain an additional brigade. Finally, the Army has embarked upon a plan to increase the size of its forces by 74,200 Soldiers. Individually, each of these transformational efforts poses significant challenges. Together, they represent momentous change for the Army. In September of 2007 the GAO published a report on Defense infrastructure where it described the magnitude of these changes in this way, "As a result of the first three initiatives (GDPR, BRAC and Modularity) and certain other restationing moves, the Army expects a net gain of about 154,000 personnel at its domestic bases from fiscal years 2006 through fiscal year 2011."⁴⁴ Given the magnitude of these initiatives their costs are similarly large.

Such a convergence of major changes poses many risks if not executed fully and on schedule. Funding disruptions would delay the cost savings offered by BRAC and create a bottleneck in the movement of units from overseas and within the United States. Any interruption in the schedule would either hinder the formation of additional

BCTs in their appointed locations or it would require the Army to revert to a practice used occasionally at the outset of modularity which included the construction of hundreds of temporary facilities to house them.⁴⁵ Inextricably linked, these initiatives require full and timely funding. Because BRAC actions are driven by law and the Army's missions require it to continue with modularity, under funding them will drive the Army to borrow from other sources. Unfortunately, there are indications such actions will be necessary. A recent GAO report summarized it this way, "The Army projects the cost of BRAC implementation to be about \$17.6 billion of which military construction is projected to account for about \$13.1 billion. The Army plans to fund the \$17.6 billion from a variety of sources. First, to help finance portions of the Army's BRAC 2005 implementation costs, DoD will provide funding of almost \$7 billion. Second, DoD also will provide funding for overseas rebasing, which will supply the Army with about \$2.6 billion to fund these redeployment actions to the United States. Together, these amounts will provide the Army about \$9.5 billion. Thus, the Army will need at least \$8 billion more to finance BRAC 2005 implementation of about \$17.6 billion."⁴⁶ As part of its review the GAO learned the Army planned to partially address the shortfall by relying heavily on funding programmed for projects outside the BRAC account through 2011 and to move those non-BRAC projects further into the future.

Difficult as it might seem to meet the BRAC requirement, the challenge is further complicated by the need to construct other required infrastructure to fully support the realignments and the expansion of the force. Eighteen Army installations expect a net increase of at least 2,000 people because of BRAC, overseas rebasing, modularity, and other miscellaneous restationing actions during fiscal years 2006 through 2011. At

those installations there exists a \$5.2 billion requirement in support of modularity and other construction requirements beyond those called for in the BRAC law.⁴⁷

Additionally, the expansion of the Army will require approximately \$70.2 billion of which \$11.2 billion will fund the investment in facilities for the initiative between fiscal years 2007 and 2013.

The benefits of change

Five years after the Army opted to centralize its installation management structure one might conclude nothing of consequence has tangibly improved, especially with regard to the seemingly annual funding shortages and the resulting disruptions. However, such a conclusion would ignore what has been accomplished in spite of funding deficits. The funding in support of the BRAC and GDPR initiatives alone will pump more than an additional \$15 billion into the Army military construction program and represents an enormous source of improvement to Army infrastructure, greatly reducing the recapitalization cycle. As for BOS and SRM, inadequate funding continues to stymie service delivery, but the total allocation for those accounts continues to grow indicating a partial willingness on the part of the Army and Congress to address the requirements. This growth in funding also points to IMCOM's increasing ability to define and communicate bona fide installation requirements.

Organizationally, IMCOM is better positioned to support the Army's installations than at anytime since the Army created IMA. Having done much work to develop an organization configured to meet the needs of the force it serves, IMA undertook many initiatives to transform itself in support of the Army's vision for installation management as it developed a corporate structure. Both IMA and IMCOM have provided the Army a

collection of tangible and positive results, many of which did not or could not have existed as part of a decentralized management structure. The Army now has detailed current and historical knowledge of spending in support of its installations and what the underlying requirements are. IMCOM also possesses a budgetary forecasting capability clearly communicating installation requirements to the Army. It has eliminated hundreds of Soldiers from performing installation support functions and returned them to the Army for use elsewhere. Internally, there are significant improvements as well. Installations now have garrison organizations, which are standard in design and regularly share best practices for use throughout the force. In tandem with standardizing the garrison organizations, IMA also developed standards for the way it delivers support services. Now known as common levels of support (CLS), it represents for the first time a method for delivering base support services at a predetermined level of quality across the Army. It has done this while supporting the global war on terrorism, the associated mobilizations and deployments and the Army's transformation from a division-centric to a brigade-centric force.

IMCOM's influence extends well beyond that of the Army's financial overseer for installations. Five examples among many show the value of having not only a centralized management command, but one with world-wide reach and the collective expertise of its workforce.

1. IMCOM has used its corporate buying power to make more cost effective purchases of goods and services for use across the Army. The savings generated by this capability and others enabled IMCOM to absorb nearly \$500 million of new missions or cost increases in other

areas during fiscal year 2007 without requesting additional funds from the Army.

2. IMCOM succeeded in closing the communication gap between deployed Soldiers and their families by providing an array of new technology and facilities. It has done much the same for family support groups.
3. Since the passage of the BRAC law, IMCOM has led the Army's efforts in developing plans and policies for joint basing, which requires the Army to carefully transfer some installation management responsibilities to other services within DoD while absorbing others. Done well, this complex task will reap long-term savings.
4. IMCOM is prepared to play a central role in supporting "expeditionary basing" whether in Central America, Eastern Europe, or other areas as needed by leveraging its expertise and exercising one of its core competencies, installation management, in support of deployed unit commanders.
5. IMCOM possesses the intellectual assets to provide essential planning for the successful fielding of the Future Combat System into the Army force structure. With its corporate visibility across the Army it can now orchestrate and synthesize the many construction and services' requirements which accompany this revolutionary transition.⁴⁸

These capabilities and others like them represent the benefits of change. It is instructive to consider how disjointed such efforts would have or could become without

a centralized management structure. They also serve as reminders that any compromise in installation support will affect the Soldiers of today's Army and that of tomorrow's.

IMA and IMCOM succeeded in these areas despite enduring uncertainties in leadership. As a field operating agency of the Office of the Assistant Chief of Staff for Installation Management (OACSIM), IMA had as its director a general officer who reported to the ACSIM, also a general officer and the primary advocate for installation management on the Army staff. In the five years since IMA's inception eight different general officers have filled those two roles. Additionally, the Army's principal position responsible for installation policy, the Assistant Secretary for Installations and Environment remained unfilled for nearly nineteen months during that time. This represents an overly dynamic turnover at a time the Army needed persistent and consistent advocacy in defending installation funding.

The threats to installation support

While BRAC, GDPR, modularity, and a growing Army represent phenomenal opportunities if done well, they also pose risks to the Army's mission and quality of life if done poorly. For example, these programs will certainly escalate the funding dilemma if their costs exceed their appropriations and initial estimates indicate a cause for concern. In its December 2007 study of BRAC costs the GAO found that "DoD's cost estimates to implement the BRAC recommendations have increased from \$21 billion to \$31 billion (48 percent) compared to the BRAC Commission's estimates, and net annual savings estimates have decreased from \$4.2 billion to \$4 billion (5 percent)."⁴⁹

Regarding the growth of the force, the GAO, in its January 2008 report to Congress,

expressed doubt concerning the reliability of the Army's financial forecasts in support of the "grow the Army" (GTA) initiative. It suggested "the Army's funding plan is not comprehensive and may be understated because some costs were excluded and some factors are still evolving that could potentially affect the Grow the Force funding plan. For example, the \$70.2 billion funding plan did not include over \$2.5 billion for health care and educational support assistance associated with increasing personnel levels."⁵⁰

Other risks abound potentially stifling the Army's ability to fund installation support at optimum levels. Any reduction in the DoD budget or its supplemental appropriation would have a direct and negative affect on Army installation support. Historically, the Army's budget authority has remained relatively constant since 1990 relative to the DoD's. Although the Army's share of the DoD budget has exceeded 30% during the past four years the forecast points to a more typical 26% to 27% share between 2009 and 2013.⁵¹ Currently the funding level for operations and maintenance in the DoD's base budget is quite high, more than 70% higher per service member than in 1990 and 18% higher than in 2000.⁵² While the need to fund increases in the O&M budget appears likely DoD's ability to fund them appears less so. The anticipated growth in costs for military health care and equipment maintenance and repair will inflict increasing pressure on the DoD O&M budget, which will in turn affect the Army's O&M budget and ultimately its subsequent allocation for installation support. In addition, as the Army continues to develop its Future Combat System the need to provide sufficient procurement funding will certainly inflict pressure on the O&M account. In short, as challenging as the recent fiscal environment has been, the future appears to be every bit as difficult.

The outlook indicates an immediate and compelling need for establishing a stronger position with regard to installation funding. In the short term, continued unwillingness on the part of the Army to request full funding for BOS and SRM in its budget will perpetuate the annual upheaval caused by mid-year funding shortfalls, which have become too common. Certainly the timing of congressional action on base and supplemental funding bills has partly contributed to the unpredictability of installation funding. However, it is clear the Army has not requested an amount equal to the total known requirements for BOS and SRM as part of its budget requests either. This must change. Improved predictability of service delivery at Army installations depends upon such a change, but it represents only part of the solution. Inadequate funding, even when predictable, leads to compromises in installation support. Beyond that, delayed or reduced funding for planned public-private partnerships would unnecessarily limit either their vast potential long term savings or the much needed improvements in quality derived from programs like the residential communities initiative (RCI), utilities privatization, barracks privatization, the privatization of Army lodging, the build-to-lease program and enhanced-use leases to name a few.⁵³ For the long term, establishing BOS, SRM and MILCON benchmarks, which better represent installation support funding requirements, will help preserve installation support as threats to it grow.

IMCOM must also play an additional role in alleviating the risks of an uncertain funding environment. With over 100,000 civilian employees, Soldiers and contractors as part or in support of IMCOM, its size represents roughly the total of thirty Army brigade combat teams or nearly one-fifth the size of the Army's active duty force.

Properly aligning and ultimately reducing the size of its organization will reduce excessive overhead expense. As part of its effort IMCOM needs to combine cost avoidance measures with actions to generate real savings from Lean Six Sigma initiatives for reinvestment in installation support. While it is one thing to measure output, such as the adequacy of services and support, it is quite another to efficiently apply the input, like the cost of labor. Accordingly, IMCOM should develop metrics showing the relationship between the values of services delivered compared with the costs of delivering them. Reducing managerial overhead represents one clear way to quickly improve the value to cost relationship.

A renewed focus for installations

Many signs point to an increased interest in the need for the funding of installation services. Major General John Macdonald, the current Deputy Commanding General of IMCOM wrote in September 2007, "Both General Casey and the Secretary of the Army have made it clear that the Army, as a whole, must enhance the quality of support it provides to Soldiers and their Families, in order to preserve the all-volunteer force."⁵⁴ In mid-October 2007 Army leaders announced a new initiative called the Army Family Covenant as part of the Army Family Soldier Action Plan, a pledge to invest \$1.4 billion in 2008 in Army family programs.⁵⁵ With the Army's willingness to provide a significant increase for family programs it appears needed improvements will come to installation services. The question remains though whether this is a long lasting change. Recent experience indicates a need for a permanent solution. Major General Macdonald said in November 2007, "IMCOM has reached a critical stage in its development as a Command. Not since the emergence of the former Installation

Management Agency has so much focus been placed on our mission of providing installations that enable Soldier and Family Readiness, and a quality of life that matches the quality of service they provide to our Nation.”⁵⁶ Family members in Europe highlighted this need in a recent meeting with the Chief of Staff of the Army, General George Casey, where they told him, “They were not as interested in new programs as they were in fully funding our programs and standardizing them across the installations.”⁵⁷ With indications of a continued difficult funding environment in the future anything short of permanent changes will exacerbate today’s challenges. In the words of the Commanding General of the United States Army Europe, General David McKiernan, “The idea is to make the leadership responsible and accountable and then give them the right resources to take care of Army families. What we’ve got to do now is put our money where our mouth is.”⁵⁸

Funding vs. Requirements

Money does matter, especially when it is limited or its availability inadequate. While providing more money today to fund installations’ immediate needs, additional funding alone will not provide a permanent solution unless the increase is sustained and the growth in requirements constrained. The shortfalls and unpredictability of 2004 – 2006 should not be repeated. It was during that period when the Army acknowledged an inability to fully fund its installation support requirements by implementing the 90-90 funding strategy. Because the Army has not fully funded its known installation requirements since creating a centralized installation management structure it has created a fragile system often victimized by unforeseen and often unfunded needs emerging during each year. This difficult combination puts many basic services and

ultimately, the installation support mission at risk. Given the annual constraints imposed by funding limitations and what appears to be an environment of increasing pressure on the Army's budget and its O&M accounts, installation requirements are in need of renewed evaluation and possibly new constraints. Opportunities exist for reducing requirements. The growth of attractive service and entertainment options outside many Army installations provide convenient and often redundant services comparable with those found on post. These options present the Army with an opportunity to reevaluate the practice of providing on-post services such as bowling alleys, golf courses, libraries, movie theaters and in some cases, child development centers, among other offerings. Similarly, the interest shown by the private sector to participate in privatization initiatives, such as RCI and Army Lodging, provides an opportunity to further explore other privatization opportunities and divest of aging infrastructure, which adds to the backlog of maintenance and repair requirements or drains the SRM account, or both. While budget constraints have often driven the Army into a cycle of curtailing installation support, they ultimately prevent garrisons from operating at a consistent level of excellence. Providing an installation support package better aligned with fiscal realities would lessen the likelihood of such inconsistency.

Summary and Implications

A historical perspective often proves useful for many reasons, but two apply here. First, it indicates to some extent the many variables which led to the difficult funding environment since the late 1990s. Second, and more important, a retrospective points to pitfalls to avoid as Army planners look forward. Unity of command in the Army is sacrosanct and in 2002 the Army redefined that construct as it applied to installation

management for the betterment of the enterprise. One dividend of that change has been the growing awareness of what it truly costs to operate and sustain the Army's portfolio of installations. However, it appears the Army has been reticent to communicate its full needs for BOS and SRM to Congress or to reduce requirements. Without a change to this practice little optimism exists for closing the gap between requirements and the capability to fund them. That gap represents untapped potential in quality of life programs and timely investment in infrastructure. Likewise, military construction, whether as part of BRAC, GDPR, modularity, expanding the Army or other emerging needs, plays a critical role in building quality installations for supporting the Army of the future. Shortfalls in military construction for one or more of the initiatives would certainly weaken the others and create another gap in quality of life and mission support. Looking forward, one outcome that must be avoided is that in endeavoring to eliminate the "haves and have-nots" among installations the Army should not raise the bar for some while lowering it for others as opposed to raising it for all.

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- a. Base Operations (BASOPS) - Provides vital resources involved with operating and maintaining Army installations. The significant categories of BASOPS are summarized as follows:
 1. Engineering and Municipal Services include public works management, fire and emergency services, and real estate/real property administration. Municipal services include custodial, snow removal, pest control, refuse handling operations, and street sweeping. Fire and emergency services include the protection of installation population and fire fighters, the protection of critical infrastructure and aircraft, "1st responder" medical and HAZMAT services.
 2. Operation of Utilities funds the procurement, production and distribution of utility services for Army installations. Utility services include purchased electricity, steam, hot water and other utilities, as well as the operation of electrical, natural gas, heating, air conditioning, refrigeration, water, and wastewater treatment systems.
 3. Logistics Services supports supply operations, maintenance of installation equipment, and maintenance of installation non-tactical equipment. It also includes maintenance of electronic and communications equipment as well as the maintenance of unaccompanied personnel housing furniture and associated equipment. Transportation services arrange for freight and personal property shipments, passenger movements, deployment planning and execution, non-tactical vehicle (NTV) management for GSA leased, commercial leased, and installation owned vehicles. It also funds GSA and commercial leases, additional support for installation services such as contractual bus service, local drayage for household goods and operation of rail equipment. The Army food services fund the civilian pay, contracts and other costs to operate installation dining facilities. Logistic services also funds Troop Issue Subsistence Activities (TISA), fuel for vehicles, and laundry and dry cleaning services.
 4. Personnel and Community Services includes Morale, Welfare, and Recreation (MWR) programs such as Sports and Fitness, Libraries, Arts and Crafts, and Outdoor Recreation which are designed to improve Soldier readiness by promoting mental and physical fitness, building

morale, increasing family self-reliance, and enhancing Soldier, family and Army civilian well-being. These programs form an integral part of the non-pay compensation system.

5. Real Estate Leases include all direct and reimbursable worldwide costs for General Services Administration (GSA) and non-GSA real estate leases supporting Army requirements. The Pentagon reservation and national capital region make up the largest portion of the Army's real estate leases followed by the DoD recruiting and military entrance processing station leases for all services for which the Army is the executive agent.
- b. Force Protection supports the protection of facilities (law enforcement, physical security, and anti-terrorism operations). This funding provides for services related to vehicle registration, visitor pass control facilities, communications, lighting and security guard entry control points, vehicle inspection areas, controlled access to mission essential and vulnerable areas, and anti-terrorism training to support and test security procedures and installation defensive measures. It also supports the Installation Preparedness Program (IPP) which provides for protection against chemical, biological, radiological, nuclear, and high-yield explosive (CBRNE) incidents.
- c. Environmental Quality Programs consist of three components. Environmental Compliance encompasses projects and activities to ensure compliance with environmental requirements of Federal, state, and local laws and regulations; binding agreements; and final governing standards and host nation laws overseas. It includes legally-mandated cleanup not eligible for funding under the defense environmental restoration program or base realignment and closure environmental restoration program. Environmental conservation supports the management and sustainment of natural and cultural resources while allowing the Army to train and accomplish its mission. Pollution prevention funds solutions to correct compliance deficiencies and minimize future environmental liabilities.
- d. Family Programs provide statutory and regulatory Army Community Service (ACS) to promote self-reliance and satisfaction with military life through education and training. Core ACS programs include deployment-mobilization programs, emergency assistance and placement care, employment readiness, exceptional family member program, family advocacy, financial readiness, information and referral, and outreach. Notable programs under the family programs umbrella are the: army family action plan, army family team building, family readiness groups, army emergency relief, and installation volunteer support. The ultimate goal is to have a positive influence on Soldier readiness and retention. Additionally, the child care and youth programs are provided for eligible children and youth ages four weeks to eighteen years old with the intent of enhancing readiness by reducing conflict between Soldiers' parental duties and their jobs.
- e. Base Communications provides resources for base communications to include local telephone service, local dedicated circuits, Wide-Area Telephone Service

- (WATS) toll charges and administrative telephone services. The program includes installation, operation, maintenance, augmentation, modification, rehabilitation and leasing of non-tactical communications support and services.
- f. Audio Visual funds services associated with production, acquisition, and support of visual images. This program includes graphic art, photo lab, and visual information library equipment maintenance

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